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FIDELITY
MORTGAGE
& SAVINGS
CORPORATION

ANNUAL
REPORT

1967



FIDELITY

MORTGAGE & SAVINGS CORPORATION

ANNUAL REPORT 1967

HEAD OFFICE

39 James Street South, Hamilton, Canada

OFFICES

HAMILTON:

EXECUTIVE OFFICES	-	-	-	-	-	20 Hughson Street South
UNION GAS BUILDING BRANCH	-	-	-	-	-	20 Hughson Street South
UNDERMOUNT BRANCH	-	-	-	-	-	143 James Street South

BRANTFORD	-	-	-	-	-	-	28 Market Street
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BURLINGTON	-	-	-	-	-	-	502 Brant Street
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OFFICERS AND DIRECTORS



OFFICERS

President	-	-	-	-	-	-	-	SAM FOSTER ROSS, Q.C.
Vice-President	-	-	-	-	-	-	-	WILLIAM VANALEN HOLTON
Treasurer	-	-	-	-	-	-	-	FRANK WILTON BAILLIE
Secretary	-	-	-	-	-	-	-	HUGH STRATHEARN HENDRIE
Mortgage Manager	-	-	-	-	-	-	-	FRED SMYTH PAUL
Supervisor of Savings	-	-	-	-	-	-	-	JAMES NEIL WALTON
Comptroller	-	-	-	-	-	-	-	WILLIAM ALAN MUIR, C.A.
Assistant Secretary	-	-	-	-	-	-	-	JOHN CHARLES SAVCHUK

DIRECTORS

*FRANK WILTON BAILLIE	-	-	-	-	-	-	-	Oakville
<i>President, Lawrence Motors (Davenport) Limited</i>								
W. ALLAN CAMPBELL, Q.C.	-	-	-	-	-	-	-	Oakville
<i>President, Wallace Barnes Co. Limited</i>								
*GEORGE RICHARD CHATER	-	-	-	-	-	-	-	Campbellville
<i>President, Grafton-Fraser Limited</i>								
HUGH STRATHEARN HENDRIE	-	-	-	-	-	-	-	Burlington
<i>Vice-President, Wenagara Corporation Limited</i>								
*WILLIAM VANALEN HOLTON	-	-	-	-	-	-	-	Burlington
<i>President, Glendale Spinning Mills Limited</i>								
JAMES ROBERT ALEXANDER LANGS	-	-	-	-	-	-	-	Hamilton
<i>President, Langs Foods Limited</i>								
JOHN HYSLOP LUXTON	-	-	-	-	-	-	-	Kitchener
<i>Investment Counsel</i>								
MURRAY PROCTOR	-	-	-	-	-	-	-	Hamilton
<i>President, Service Steel and Engineering Limited</i>								
*SAM FOSTER ROSS, Q.C.	-	-	-	-	-	-	-	Dundas
<i>Partner, Ross & Robinson</i>								
JOHN CAMERON TAIT	-	-	-	-	-	-	-	Burlington
<i>President, The Hamilton Lens Company Limited</i>								

* Member of Executive Committee

AUDITORS - - - - - McDONALD, CURRIE & Co.

BANKERS - - - - - CANADIAN IMPERIAL BANK OF COMMERCE



REPORT TO THE SHAREHOLDERS

In accordance with our policy, we have endeavoured in our Annual Report for 1967 to provide sufficient information to enable shareholders and others who may be interested in Fidelity to properly assess Fidelity, including the calibre of its assets, obligations, operations and management and its future.

Results of Operations

The year 1967 was another year of development, growth, and progress for Fidelity. After deducting all expenses and costs (including depreciation and amortization), the results of operations for the year show a net profit of \$39,928 which compares with a net profit in 1966 of \$22,448.

Fidelity's total assets as at 31st December 1967 amounted to \$14,344,439 which represents a 25% increase for the year. Of these assets, at year end Fidelity had invested approximately \$4 million (31st December 1966 — \$3.4 million) in Government of Canada, Provincial Government and Canadian Municipal Bonds, fully secured demand loans and cash and approximately \$9.2 million (31st December 1966 — \$6.9 million) in its mortgage portfolio.

Fidelity's Investments

Our Annual Report for 1966 contained an analysis of Fidelity's investments prepared and reported upon by our Auditors. We received a number of favourable comments concerning such analysis from shareholders and others. On pages 11 to 14 of this report you will again find an audited analysis of Fidelity's investments. Your Directors feel that this analysis, together with the annual audited financial statements, provide to shareholders, depositors, customers and others who are interested in Fidelity a more comprehensive picture of our Company.

(a) Bond and Other Investments Portfolio

Fidelity's bond and other investments portfolio has been maintained in an amount considerably in excess of the statutory requirements of the Loan Companies Act of Canada and The Loan and Trust Corporations Act of Ontario. At year end Fidelity's statutory reserve amounted to approximately 60% of total deposits. During the year it never fell below 35% of total deposits and averaged approximately 50%. The statutory requirement is approximately 20% of total deposits.

Because of the steady rise in interest rates throughout 1967, Fidelity's portfolio was for the most part maintained in short maturities. This policy provided excellent liquidity, an increase in the overall portfolio yield and maintained market values at reasonably high levels related to cost. The rise in interest rates appears to be continuing although there is some indication that 1968 might see a levelling. The liquidity of our portfolio should enable us to take full advantage of these conditions.

(b) Mortgage Portfolio

Fidelity's mortgage portfolio showed a net increase during the year of approximately 33% and is in excellent condition. During the year mortgage interest rates rose steadily and by year end had reached historic highs. Fidelity continued lending throughout the



year and excellent loans were obtained at very attractive rates. In addition, a number of our existing mortgages were refinanced at increased rates. As a result, the overall yield of Fidelity's mortgage portfolio improved materially to 7.63% (31st December 1966 — 7.32%).

A four year comparative percentage breakdown of Fidelity's mortgage portfolio with respect to class of security and aggregate loan amounts, number of loans, average size of loan and portfolio yield is as follows:

<i>Class of Security</i>	1964	1965	1966	1967
Single family dwellings	90%	90.5%	92.4%	88.5%
Multiple dwellings	6%	5.5%	4.5%	8.7%
Commercial and industrial	4%	4.0%	3.1%	2.8%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>
Number of Loans	405	550	666	819
Average size of Loan	\$10,000	\$10,100	\$10,300	\$11,245
Portfolio Yield	7.1%	7.16%	7.32%	7.63%

Debentures and Deposits

Deposits by the public increased during the year by approximately 22% to \$6.6 million (31st December 1966 — \$5.4 million) and the amount of Fidelity's outstanding debentures increased by approximately 52% to \$4.6 million (31st December 1966 — \$3 million). These increases are particularly gratifying to your Directors as they were accomplished despite the tremendous flood of advertising in respect of deposits generated by the banks and other financial institutions accompanied by a general increase in deposit rates following enactment of the revised Bank Act. Interest rates on our deposits and on our debentures were raised to meet this competition.

Legislation

The establishment of the Canada Deposit Insurance Corporation and enactment of the revised Bank Act had a settling effect on the financial community of Canada and created a more competitive situation between financial institutions. In our 1966 Annual Report we welcomed the entry of the chartered banks into the mortgage field and said "Free competition is healthy for the participants and good for the country. In the same vein, it is to be hoped that Federal Legislation will also be enacted to permit loan and trust companies to enter the consumer loan field under proper Federal supervision and control." We herewith reiterate what we said last year. Most people will agree that the consumer loan field should be made available to loan and trust companies subject to proper supervision and control.

Personnel

In February of 1967 Mr. Gordon E. Grundy, F.C.A., who had been a Director, member of the Executive Committee and Vice-President of Fidelity since its inception, accepted an appointment as Vice-Chairman of the Ontario Securities Commission. Mr. Grundy's new duties necessitated his resigning all connection with our company and it



was with deep regret on our part that such resignations were accepted. His interest and experienced advice and guidance was of great assistance to the company over the years. On the other hand, he has brought great strength and ability to this important office and we heartily congratulate him and wish him well.

Mr. William A. Muir, C.A. joined the company in June as our new Comptroller.

Branches

In May of 1967 we moved our Executive Offices and downtown branch location in Hamilton to the Main Floor of the Union Gas Building, 20 Hughson Street South. We are very satisfied with this new location to date.

Plans are presently under consideration for the opening of another branch savings office in 1968 and probably the facilities at our Undermount Branch will be enlarged. These matters will require additional costs, but we feel they can be absorbed during the year.

Outlook for 1968

While there appears to be momentary levelling or downturn of interest rates, we can see nothing at present or during the balance of 1968, barring a cessation of hostilities in Vietnam or a major improvement in the balance of payments of the United States, which should result in a permanent reduction in interest rates during the year. As a result, we feel that interest rates will continue at a level throughout the year at least as high as they are at the present time.

It now appears that Federal legislation will be enacted to permit loan and trust companies to enter the consumer loan field in a limited way during the year.

Although housing and other capital construction will probably be down in 1968, we foresee a continual and steady demand for mortgage funds. It also appears that the growth of personal savings on deposit with financial institutions should increase at least at the rate of 1967.

All of these factors should have a favourable effect on Fidelity and its operations during 1968. Barring unforeseen circumstances, we expect that Fidelity's profit and growth should continue and possibly improve for 1968.

In conclusion, I should again like to publicly acknowledge the tireless, faithful and capable assistance and effort so cheerfully contributed by all employees of the company during the past year.

Yours faithfully,

Sam Foster Ross,
President.

On Behalf of Board,
25th January, 1968,
Hamilton, Canada.

REVENUE, EXPENDITURE AND SURPLUS

for the year ended December 31, 1967



	1967	1966
REVENUE:		(Note 1)
Interest—Mortgages	\$598,325	\$445,034
—Other investments	133,996	105,407
Other operating revenue	21,417	5,175
Net gain on sales of bonds	3,834	2,301
	<u>\$757,572</u>	<u>\$557,917</u>
EXPENDITURE:		
Interest on deposits and debentures	\$413,095	\$287,398
Bank interest	1,090	3,223
Salaries, pension fund payments and other staff benefits	\$156,256	\$126,347
All other operating expenses including commissions, advertising, printing, stationery and rent	134,992	108,121
Depreciation and amortization	12,211	10,380
	<u>\$717,644</u>	<u>\$535,469</u>
NET PROFIT for the year (Note 2)	\$ 39,928	\$ 22,448
ADD:		
Surplus brought forward from previous year	39,512	33,314
	<u>\$ 79,440</u>	<u>\$ 55,762</u>
DEDUCT:		
Transfer to general reserve	\$ 10,000	—
Transfer to mortgage reserve	20,000	16,250
	<u>\$ 30,000</u>	<u>\$ 16,250</u>
SURPLUS at end of year	<u>\$ 49,440</u>	<u>\$ 39,512</u>



FIDELITY MORTGAGE A

(Incorporated by Special

BALANCE SHEET

ASSETS

	1967	1966
Cash and demand deposits	\$ 1,167,274	\$ 1,766,127
Bonds at cost: (Including amortized discount) (Note 1) (market: 1967 — \$1,658,140; 1966 — \$980,010)	1,715,126	986,235
Demand loans fully secured	1,196,792	651,198
	<u>\$ 4,079,192</u>	<u>\$ 3,403,560</u>
Mortgages	9,257,705	6,900,240
Prepaid and other	5,633	9,564
Fixed assets — at cost, less depreciation and amortization	116,985	102,414
	<u>\$13,459,515</u>	<u>\$10,415,778</u>

AGENCIES	884,924	1,001,415
	<u>\$14,344,439</u>	<u>\$11,417,193</u>

We hereby certify that we have examined the financial statement of the Corporation and that to the best of our knowledge and belief such statement is correct and shows truly and clearly the financial condition of the Corporation's affairs.

S. F. ROSS	President	} Directors
F. W. BAILLIE	Treasurer	
H. S. HENDRIE	Secretary	

NOTES TO FINANCIAL STATEMENTS

1. The comparative figures for the year ended December 31, 1966 have been adjusted to compensate for an over provision of accrued bond interest receivable.
2. No income taxes are payable for the year due to application of losses of prior periods.
3. Total rentals paid for the year ended December 31, 1967, and minimum future commitments (excluding taxes and like expenses) under leases of a duration of more than five years are:

Year ended December 31, 1967 —	\$18,752
1968 — 1972	— \$97,253
1972 — 1975	— \$31,243
Subsequent	Nil

SAVINGS CORPORATION

the Parliament of Canada)

CEMBER 31, 1967



LIABILITIES

TO THE PUBLIC:	1967	1966
Deposits and accrued interest	\$ 6,606,310	\$ 5,374,405
Debentures and accrued interest	4,589,930	3,007,131
Sundry accounts	55,380	54,730
Unadvanced portions of mortgages	188,455	—
	<u>\$11,440,075</u>	<u>\$ 8,436,266</u>
TO THE SHAREHOLDERS:		
Capital—Authorized—500,000 shares of \$10 each		
—Issued and fully paid—		
180,000 shares	\$ 1,800,000	\$ 1,800,000
—Issued and 10% paid—50,000 shares	50,000	50,000
	<u>\$ 1,850,000</u>	<u>\$ 1,850,000</u>
Reserves: General	60,000	50,000
Mortgages	60,000	40,000
Surplus	<u>49,440</u>	<u>39,512</u>
	<u>\$ 2,019,440</u>	<u>\$ 1,979,512</u>
	<u>\$13,459,515</u>	<u>\$10,415,778</u>
AGENCIES	\$ 884,924	\$ 1,001,415
	<u>\$14,344,439</u>	<u>\$11,417,193</u>

AUDITORS' REPORT TO THE SHAREHOLDERS

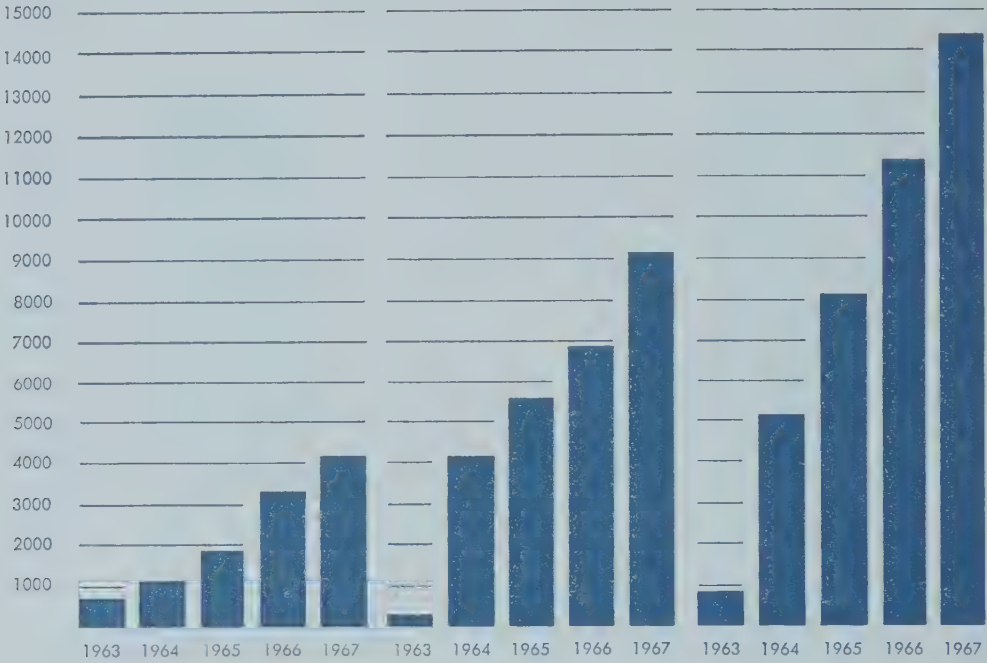
We have examined the balance sheet of Fidelity Mortgage and Savings Corporation as at December 31, 1967 and the statement of revenue, expenditure and surplus for the year then ended, and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements are properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs as at December 31, 1967, and the results of its operations for the year then ended, according to the best of our information and the explanations given to us and as shown by the books of the Corporation.

McDONALD, CURRIE & CO.,
Chartered Accountants

Hamilton, January 22, 1968.

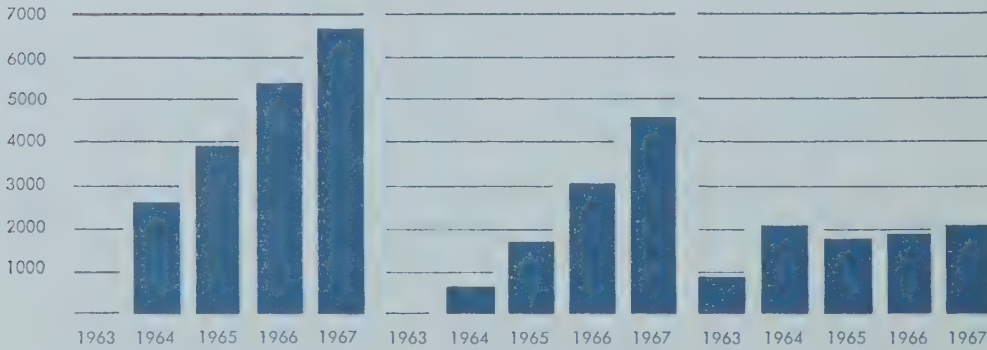
THOUSANDS OF DOLLARS



CASH, BONDS
& SECURED
DEMAND LOANS

MORTGAGES

TOTAL ASSETS



DEPOSITS

DEBENTURES

CAPITAL,
RESERVES &
SURPLUS

ANALYSIS OF INVESTMENTS

as at December 31, 1967



CASH AND DEMAND DEPOSITS

Cash on hand and in bank	\$ 641,504
Demand deposits with chartered banks	325,190
Demand deposits with other financial institutions	200,580
	<u>\$1,167,274</u>

BONDS

	Mature in	Par	Cost (including amortized discount)	Market
Government of Canada	1968	\$ 135,000	\$ 135,124	\$ 133,920
	1969	100,000	100,850	98,800
	1970	75,000	74,766	73,687
	1971	50,000	49,900	49,000
	1972	100,000	95,938	90,500
	1973-1977	170,000	168,283	160,213
	Beyond 1977	100,000	98,562	92,625
		<u>\$ 730,000</u>	<u>\$ 723,423</u>	<u>\$ 698,745</u>
Province of Ontario	1968	\$ 425,000	\$ 424,534	\$ 424,534
	Beyond 1977	225,000	225,571	203,750
		<u>\$ 650,000</u>	<u>\$ 650,105</u>	<u>\$ 628,284</u>
Canadian Municipalities	1968	\$ 121,678	\$ 120,985	\$ 118,971
	1969	50,992	49,883	48,560
	1970	29,000	28,616	27,850
	1971	19,000	18,846	18,457
	1972	8,000	8,000	7,833
	1973-1977	42,000	38,813	37,307
	Beyond 1977	5,000	4,720	4,422
		<u>\$ 275,670</u>	<u>\$ 269,863</u>	<u>\$ 263,400</u>
Canadian Corporations:				
Dominion Foundries and Steel Ltd.	1987	\$ 50,000	\$ 49,524	\$ 45,500
		<u>\$1,705,670</u>	<u>\$1,692,915</u>	<u>\$1,635,929</u>
Accrued interest		\$ 22,211	\$ 22,211	\$ 22,211
		<u>\$1,727,881</u>	<u>\$1,715,126</u>	<u>\$1,658,140</u>



ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1967

DEMAND LOANS FULLY SECURED

WITH INVESTMENT DEALERS:

Secured by 105% or more market value of Government of Canada and Provincial guaranteed bonds (3 loans)	\$ 450,000
Secured by demand deposit (100% of loan) with a chartered bank (1 loan)	300,000

WITH CUSTOMERS:

Secured by 100% or more market value of Fidelity Mortgage and Savings Debentures, deposits and other marketable securities (69 loans)	443,430
	<u>\$1,193,430</u>
Accrued Interest	3,362
	<u><u>\$1,196,792</u></u>

MORTGAGES

PRINCIPAL BALANCE AND YIELD

819 loans with an average yield of 7.63% (December 31, 1966—7.32%)	\$9,209,666
Accrued Interest	48,039
	<u><u>\$9,257,705</u></u>

MATURITIES

	Amount	Percentage
1968	\$ 130,181	1.4
1969	1,854,757	20.1
1970	2,429,590	26.4
1971	1,007,611	10.9
1972	2,449,690	26.6
1973 - 1977	1,117,901	12.2
1978 - 1982	219,936	2.4
	<u><u>\$9,209,666</u></u>	<u><u>100.0</u></u>

ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1967



CLASS OF SECURITY

	Number of loans	Amount	Percentage
Single Family Dwellings			
—under \$10,000	419	\$3,200,215	34.8
—between \$10,000 - \$20,000	371	4,789,880	52.0
—over \$20,000	6	151,314	1.7
	<u>796</u>	<u>\$8,141,409</u>	<u>88.5</u>
Multiple Dwellings			
—under \$50,000	4	\$ 102,646	1.1
—between \$50,000 - \$100,000	3	233,100	2.5
—over \$100,000	3	472,576	5.1
	<u>10</u>	<u>\$ 808,322</u>	<u>8.7</u>
Commercial and Industrial			
—under \$20,000	8	\$ 104,581	1.1
—over \$20,000	5	155,354	1.7
	<u>13</u>	<u>259,935</u>	<u>2.8</u>
	<u>819</u>	<u>\$9,209,666</u>	<u>100.0</u>

Average loan amount — \$11,245

GEOGRAPHICAL LOCATION

	Number of loans	Amount
Hamilton and area	422	\$4,488,548
Brantford and area	209	2,107,853
Burlington and area	119	1,615,326
St. Catharines and area	23	383,657
Oakville and area	28	408,758
Caledonia and area	16	179,724
Simcoe and area	2	25,800
	<u>819</u>	<u>\$9,209,666</u>

UNADVANCED PORTIONS OF LOANS

The aggregate sum of \$188,455 remains to be advanced in respect of 7 loans.



ANALYSIS OF INVESTMENTS (continued)

as at December 31, 1967

OUTSTANDING LOAN COMMITMENTS

A total of 3 loans having an aggregate principal amount of \$35,799 have been committed by the Corporation on which no funds have been advanced.

ADMINISTRATION

Method of Payment:

Substantially all loans are repayable by combined monthly payments of principal, interest and taxes. The principal payments are based on fifteen to twenty-five year amortization plans.

Taxes:

At the date of our report, all taxes due up to and including December 31, 1967, have been paid on all properties secured by the loans except in respect of one property on which a balance of \$368 is owing.

Delinquencies:

There are no loans under foreclosure or sale proceedings.

At the date of our report all mortgage payments due up to and including December 31, 1967 have been received except for two payments aggregating \$176.

AUDITORS' REPORT

In our opinion, the foregoing analysis of investments is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's investments as at December 31, 1967.

Hamilton, January 22, 1968

McDONALD, CURRIE & CO.
Chartered Accountants



SAVINGS ACCOUNTS

Interest paid at 5% on your minimum monthly balance and credited to your account each April 30th and October 31st.

CHEQUING ACCOUNTS

Interest paid at 4% on your minimum half-yearly balance and credited to your account each April 30th and October 31st. Chequing privileges are allowed on your account.

DEPOSIT-BY-MAIL FACILITIES

These facilities are available to all our depositors and can be used as a time saving convenience. Postage is paid by the Company both ways.

DEPOSIT RECEIPTS

Interest paid at competitive rates on fixed term deposits for periods up to 364 days. Minimum amount \$5000.

DEBENTURES

Interest paid at competitive rates on terms from 1 to 5 years. Minimum amount \$100. Interest is paid half-yearly or may be compounded and paid at maturity. Debentures may be cashed at par in the event of the death of the holder, at the option of his estate.

TRUSTEE INVESTMENTS

Deposit Receipts and Debentures are authorized Trustee investments. Trustees may open trust savings or trust chequing accounts with the Company for surplus funds.

SAFETY DEPOSIT BOXES

These are available to our customers at reasonable rates and may be used for the safekeeping of securities, valuable documents or personal articles.

TRAVELLERS CHEQUES

Are available in both Canadian and U.S. dollars for the convenience of our customers who travel on vacation or business.

FIRST MORTGAGE LOANS

First mortgage loans are readily available at attractive rates to assist in the purchase of your new home or for building, remodelling, refinancing or consolidation of outstanding debts.

REAL ESTATE APPRAISALS

Our qualified appraisal staff is available to appraise your property for all purposes.

PROPERTY MANAGEMENT

Our management staff is available to manage your revenue producing properties.

AGENCY ACCOUNTS

This is a service designed to assist in the care and management of your investments. This service is particularly helpful to individuals and organizations who lack time or experience and who prefer to be relieved of the details of supervision of their investments.

Fidelity was Incorporated by Special Act of the Parliament of Canada, is licensed by the Minister of Finance of Canada and is under Federal supervision.

Fidelity is a member of the Canada Deposit Insurance Corporation.

